

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Center Point-Urbana Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Todd Ramsey	President	2006
Carol Engelken	Vice-President	2005
Scott Millikin	Board Member	2007
Kelly Bonar	Board Member	2007
Tammy Carolan	Board Member	2006

Board of Education
(After September 2005 Election)

Todd Ramsey	President	2006
Carol Engelken	Vice-President	2008
Tammy Carolan	Board Member	2006
Scott Millikin	Board Member	2007
Kelly Bonar	Board Member	2007

School Officials

Alan Marshall	Superintendent	2006
Katherine Thomas	District Secretary/Treasurer/ Business Manager (Resigned)	2006
Vanessa Raue	District Secretary/Treasurer/ Business Manager (Appointed)	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Center Point-Urbana Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Center Point-Urbana Community School District, Center Point, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Center Point-Urbana Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

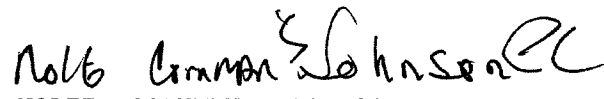
In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2006 on our consideration of Center Point-Urbana Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 38 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Center Point-Urbana Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ending June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

October 17, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Center Point-Urbana Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,273,002 in fiscal 2005 to \$8,816,410 in fiscal 2006, while General Fund expenditures increased from \$8,796,662 in fiscal 2005 to \$9,192,367 in fiscal 2006. This allowed the District's General Fund balance to decrease from \$107,061 in fiscal 2005 to a deficit \$268,045 in fiscal 2006, a 350% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal sources in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Center Point-Urbana Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Center Point-Urbana Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Center Point-Urbana Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Center Point-Urbana Community School District Annual Financial Report

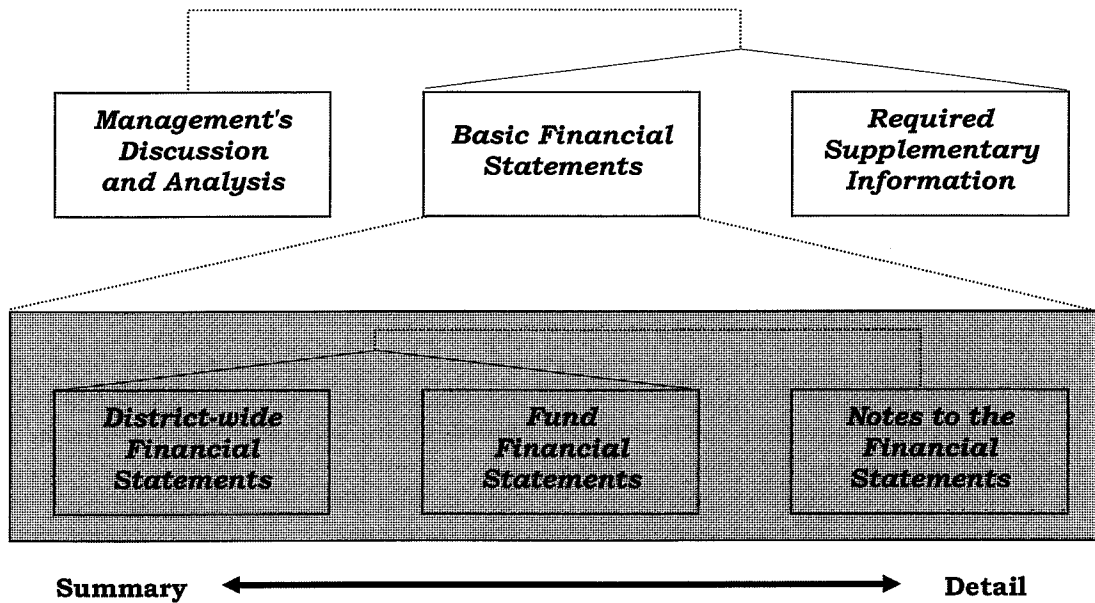


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust fund.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are the funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 8,405,198	5,199,101	16,308	10,173	8,421,506	5,209,274	61.66%
Capital assets	6,616,466	6,685,040	38,043	14,140	6,654,509	6,699,180	-0.67%
Total assets	15,021,664	11,884,141	54,351	24,313	15,076,015	11,908,454	26.60%
Long-term obligations	8,536,540	5,937,068	0	0	8,536,540	5,937,068	43.78%
Other liabilities	5,425,205	4,859,419	55,058	11,446	5,480,263	4,870,865	12.51%
Total liabilities	13,961,745	10,796,487	55,058	11,446	14,016,803	10,807,933	29.69%
Net assets:							
Invested in capital assets, net of related debt	1,127,142	855,040	38,043	14,140	1,165,185	869,180	34.06%
Restricted	151,750	91,267	0	0	151,750	91,267	66.27%
Unrestricted	(218,973)	141,347	(38,750)	(1,273)	(257,723)	140,074	-283.99%
Total net assets	\$ 1,059,919	1,087,654	(707)	12,867	1,059,212	1,100,521	-3.75%

The District's combined net assets decreased by 3.75%, or \$41,309, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$60,483, or 66.27% over the prior year. The increase was primarily due to a reserving a balance from the General Fund for talented and gifted.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$397,797, or 284%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund and School Nutrition Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 1,286,784	1,118,669	386,593	342,710	1,673,377	1,461,379	14.51%
Operating grants and contributions and restricted interest	958,580	821,021	153,330	158,710	1,111,910	979,731	13.49%
Capital grants and contributions and restricted interest	1,486	0	0	0	1,486	0	100.00%
General revenues:							
Property tax	2,969,102	3,076,350	0	0	2,969,102	3,076,350	-3.49%
Local option sales and service tax	265,640	96,920	0	0	265,640	96,920	0.00%
Unrestricted state grants	4,525,583	4,162,113	0	0	4,525,583	4,162,113	8.73%
Other	70,323	32,276	436	315	70,759	32,591	117.11%
Total revenues	10,077,498	9,307,349	540,359	501,735	10,617,857	9,809,084	8.25%
Program expenses:							
Governmental activities:							
Instructional	6,306,041	6,060,171	0	0	6,306,041	6,060,171	4.06%
Support services	3,013,551	2,650,556	0	0	3,013,551	2,650,556	13.70%
Non-instructional programs	0	0	553,933	556,931	553,933	556,931	-0.54%
Other expenses	785,641	1,164,546	0	0	785,641	1,164,546	-32.54%
Total expenses	10,105,233	9,875,273	553,933	556,931	10,659,166	10,432,204	2.18%
Change in net assets	(27,735)	(567,924)	(13,574)	(55,196)	(41,309)	(623,120)	-93.37%
Net assets beginning of year	1,087,654	1,655,578	12,867	68,063	1,100,521	1,723,641	-36.15%
Net assets end of year	\$ 1,059,919	1,087,654	(707)	12,867	1,059,212	1,100,521	-3.75%

In fiscal 2006, property tax and unrestricted state grants account for 74.4% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$10.62 million of which \$10.08 million was for governmental activities and \$.54 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 8.25% increase in revenues and a 2.18% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$10,077,498 and expenses were \$10,105,233.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,306,041	4,386,658
Support services	3,013,551	3,013,551
Other expenses	785,641	458,174
Totals	<u>\$ 10,105,233</u>	<u>7,858,383</u>

- The cost financed by users of the District's programs was \$1,286,784.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$958,580.
- The net cost of governmental activities was financed with \$2,969,102 in property tax, \$265,640 in local option sales and services tax, \$4,525,583 in unrestricted state grants and \$61,796 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$540,359 and expenses were \$553,933. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Center Point-Urbana Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,785,372, above last year's ending fund balances of \$147,437. However, the primary reason for the increase in combined fund balances in fiscal 2006 is due to the District issuing general obligation bonds of \$2,900,000.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Overall total expenditures and revenues both increased; however, the expenditures exceeded revenues allowing the fund balance to decrease \$375,106.
- The Capital Projects Fund balance increased from a deficit \$193,040 in fiscal 2005 to a positive \$2,980,114 in fiscal 2006. This was due to the District issuing \$2,900,000 in general obligation bonds during the year.
- The Debt Service Fund balance increased from a deficit \$36,791 in fiscal 2005 to a deficit balance of \$4,594 in fiscal 2006. This increase was partially due to the decrease in interest payments during the year.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$12,867 at June 30, 2005 to a deficit balance of \$707 at June 30, 2006, representing a decrease of 105%. For fiscal 2006, the District received fewer monies from federal sources.

BUDGETARY HIGHLIGHTS

The District's revenues were \$298,406 more than budgeted revenues, a variance of 2.9%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instructional, support services and other expenditures functional areas due to the District not amending the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$6,654,509, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of less than 1% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$134,289.

The original cost of the District's capital assets was \$15,123,571. Governmental funds account for \$15,044,528 with the remainder of \$79,043 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$146,855 at June 30, 2006, compared to \$158,870 reported at June 30, 2005. This decrease resulted from the depreciation expense incurred during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 108,845	108,845	0	0	108,845	108,845	0.00%
Buildings	6,057,365	6,103,898	0	0	6,057,365	6,103,898	-0.77%
Improvements other than buildings	341,444	327,567	0	0	341,444	327,567	4.06%
Machinery and equipment	108,812	144,730	38,043	14,140	146,855	158,870	-8.18%
Total	\$ 6,616,466	6,685,040	38,043	14,140	6,654,509	6,699,180	-0.67%

Long-Term Debt

At June 30, 2006, the District had \$8,536,540 in general obligation bonds, capital loan notes and compensated absences outstanding. This represents an increase of 43.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

During the year the District issued \$6,955,000 of general obligation bonds and paid off \$4,250,000.

The capital loan notes which are payable from the Special Revenue, Physical Plant and Equipment Levy, only have one more year of payments.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2006	2005	2005-06
General obligation bonds	\$ 8,350,000	5,645,000	47.9%
Capital loan notes	80,000	185,000	-56.8%
Compensated absences	106,540	107,068	-0.5%
Totals	\$ 8,536,540	5,937,068	43.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment for past five years, the District expects this trend to continue the next few years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vanessa Raue, District Secretary, Center Point-Urbana Community School District, 102 Trader Street, Center Point, Iowa, 52213.

BASIC FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 1,316,960	0	1,316,960
Other	3,592,131	5,689	3,597,820
Receivables:			
Property tax:			
Delinquent	40,215	0	40,215
Succeeding year	2,880,591	0	2,880,591
Income surtax	237,841	0	237,841
Interfund	10,201	0	10,201
Accounts	4,223	0	4,223
Accrued interest - ISCAP (Note 5)	7,758	0	7,758
Due from other governments	315,278	0	315,278
Inventories	0	10,619	10,619
Capital assets, net of accumulated depreciation(Note 6)	6,616,466	38,043	6,654,509
Total Assets	15,021,664	54,351	15,076,015
Liabilities			
Interfund payable	0	10,201	10,201
Accounts payable	177,310	141	177,451
Salaries and benefits payable	990,315	35,764	1,026,079
ISCAP warrants payable (Note 5)	1,317,000	0	1,317,000
ISCAP accrued interest payable (Note 5)	7,247	0	7,247
ISCAP unamortized premium	9,522	0	9,522
Accrued interest payable	43,220	0	43,220
Deferred revenue:			
Succeeding year property tax	2,880,591	0	2,880,591
Unearned revenue	0	8,952	8,952
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds	325,000	0	325,000
Capital loan notes	80,000	0	80,000
Compensated absences	106,540	0	106,540
Portion due after one year:			
General obligation bonds	8,025,000	0	8,025,000
Total Liabilities	13,961,745	55,058	14,016,803
Net Assets			
Investment in capital assets, net of related debt	1,127,142	38,043	1,165,185
Restricted for:			
Talented and gifted	82,229	0	82,229
Management levy	6,651	0	6,651
Other special revenue purposes	62,870	0	62,870
Unrestricted	(218,973)	(38,750)	(257,723)
Total Net Assets	\$ 1,059,919	(707)	1,059,212

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 4,315,959	475,816	632,599	0	(3,207,544)	0	(3,207,544)
Special instruction	1,214,103	323,231	0	0	(890,872)	0	(890,872)
Other instruction	775,979	487,737	0	0	(288,242)	0	(288,242)
	<u>6,306,041</u>	<u>1,286,784</u>	<u>632,599</u>	<u>0</u>	<u>(4,386,658)</u>	<u>0</u>	<u>(4,386,658)</u>
Support services:							
Student services	261,587	0	0	0	(261,587)	0	(261,587)
Instructional staff services	181,220	0	0	0	(181,220)	0	(181,220)
Administration services	1,298,444	0	0	0	(1,298,444)	0	(1,298,444)
Operation and maintenance of plant services	907,382	0	0	0	(907,382)	0	(907,382)
Transportation services	364,918	0	0	0	(364,918)	0	(364,918)
	<u>3,013,551</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,013,551)</u>	<u>0</u>	<u>(3,013,551)</u>
Other expenditures:							
Facilities acquisitions	95,436	0	0	1,486	(93,950)	0	(93,950)
Long-term debt interest	270,554	0	0	0	(270,554)	0	(270,554)
AEA flowthrough	325,981	0	325,981	0	0	0	0
Depreciation(unallocated)*	93,670	0	0	0	(93,670)	0	(93,670)
	<u>785,641</u>	<u>0</u>	<u>325,981</u>	<u>1,486</u>	<u>(458,174)</u>	<u>0</u>	<u>(458,174)</u>
Total governmental activities	<u>10,105,233</u>	<u>1,286,784</u>	<u>958,580</u>	<u>1,486</u>	<u>(7,858,383)</u>	<u>0</u>	<u>(7,858,383)</u>
Business-Type activities:							
Non-instructional programs:							
Nutrition services	553,933	386,593	153,330	0	0	(14,010)	(14,010)
Total business-type activities	<u>553,933</u>	<u>386,593</u>	<u>153,330</u>	<u>0</u>	<u>0</u>	<u>(14,010)</u>	<u>(14,010)</u>
Total	<u>\$ 10,659,166</u>	<u>1,673,377</u>	<u>1,111,910</u>	<u>1,486</u>	<u>(7,858,383)</u>	<u>(14,010)</u>	<u>(7,872,393)</u>
General Revenues:							
Local tax for:							
General purposes					\$ 2,382,310	0	2,382,310
Debt Service					417,561	0	417,561
Capital outlay					169,231	0	169,231
Local option sales and services tax					265,640	0	265,640
Unrestricted state grants					4,525,583	0	4,525,583
Unrestricted investment earnings					61,796	436	62,232
Other					8,527	0	8,527
Total general revenues					<u>7,830,648</u>	<u>436</u>	<u>7,831,084</u>
Changes in net assets					(27,735)	(13,574)	(41,309)
Net assets beginning of year					1,087,654	12,867	1,100,521
Net assets end of year					<u>\$ 1,059,919</u>	<u>(707)</u>	<u>1,059,212</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
ISCAP (Note 5)	\$ 1,316,960	0	0	0	1,316,960
Other	604,801	2,899,431	0	100,259	3,604,491
Receivables:					
Property tax:					
Delinquent	27,341	0	7,766	5,108	40,215
Succeeding year	2,073,469	0	492,958	314,164	2,880,591
Income surtax	237,841	0	0	0	237,841
Interfund	10,201	0	0	0	10,201
Accounts	4,223	0	0	0	4,223
Accrued interest - ISCAP (Note 5)	7,758	0	0	0	7,758
Due from other governments	209,971	105,307	0	0	315,278
Total Assets	\$ 4,492,565	3,004,738	500,724	419,531	8,417,558
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 125,216	24,624	0	27,470	177,310
Excess of warrants issued over bank balance	0	0	12,360	0	12,360
Salaries and benefits payable	990,315	0	0	0	990,315
ISCAP warrants payable (Note 5)	1,317,000	0	0	0	1,317,000
ISCAP accrued interest payable (Note 5)	7,247	0	0	0	7,247
ISCAP unamortized premium	9,522	0	0	0	9,522
Deferred revenue:					
Succeeding year property tax	2,073,469	0	492,958	314,164	2,880,591
Income surtax	237,841	0	0	0	237,841
Total liabilities	4,760,610	24,624	505,318	341,634	5,632,186
Fund balances:					
Reserved for:					
Debt service	0	0	(4,594)	0	(4,594)
Talented and gifted	82,229	0	0	0	82,229
Unreserved	(350,274)	2,980,114	0	77,897	2,707,737
Total fund balances	(268,045)	2,980,114	(4,594)	77,897	2,785,372
Total Liabilities and Fund Balances	\$ 4,492,565	3,004,738	500,724	419,531	8,417,558

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 16)	\$ 2,785,372
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	6,616,466
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	237,841
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(43,220)
Long-term liabilities, including general obligation bonds, capital loan notes and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(8,536,540)</u>
Net assets of governmental activites (page 14)	<u>\$ 1,059,919</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,242,399	265,640	417,561	309,142	3,234,742
Tuition	799,047	0	0	0	799,047
Other	290,801	8,930	0	249,802	549,533
State sources	5,249,603	0	0	0	5,249,603
Federal sources	234,560	0	0	1,486	236,046
Total revenues	8,816,410	274,570	417,561	560,430	10,068,971
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	4,307,045	0	0	0	4,307,045
Special instruction	1,214,103	0	0	0	1,214,103
Other instruction	561,442	0	0	213,883	775,325
	6,082,590	0	0	213,883	6,296,473
Support services:					
Student services	261,587	0	0	0	261,587
Instructional staff services	181,220	0	0	0	181,220
Administration services	1,152,210	44,373	32,196	57,945	1,286,724
Operation and maintenance of plant services	849,458	0	0	55,073	904,531
Transportation services	339,321	0	0	14,346	353,667
	2,783,796	44,373	32,196	127,364	2,987,729
Other expenditures:					
Facilities acquisitions	0	24,624	0	131,826	156,450
Long-term debt:					
Principal	0	0	365,000	0	365,000
Interest	0	0	272,930	0	272,930
AEA flowthrough	325,981	0	0	0	325,981
	325,981	24,624	637,930	131,826	1,120,361
Total expenditures	9,192,367	68,997	670,126	473,073	10,404,563
Excess(deficiency) of revenues over(under) expenditures	(375,957)	205,573	(252,565)	87,357	(335,592)
Other financing sources(uses):					
Transfers in	0	169,905	219,762	0	389,667
Transfers out	0	(110,000)	0	(279,667)	(389,667)
Issuance of bonds	0	2,900,000	0	0	2,900,000
Refunding debt issued	0	0	4,055,000	0	4,055,000
Payment to refunding escrow agent	0	0	(3,990,000)	0	(3,990,000)
Premiums on issuance of bonds	0	7,676	0	0	7,676
Sale of equipment	851	0	0	0	851
Total other financing sources(uses)	851	2,967,581	284,762	(279,667)	2,973,527
Net change in fund balances	(375,106)	3,173,154	32,197	(192,310)	2,637,935
Fund balances beginning of year	107,061	(193,040)	(36,791)	270,207	147,437
Fund balances end of year	\$ (268,045)	2,980,114	(4,594)	77,897	2,785,372

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 18) \$ 2,637,935

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 61,014	
Depreciation expense	<u>(129,588)</u>	(68,574)

Proceeds of long-term debt liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Issued	\$ (6,955,000)	
Repaid	<u>4,355,000</u>	(2,600,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,376

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences		<u>528</u>
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Changes in net assets of governmental activities (page 15)

\$ (27,735)

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 5,689
Inventories	10,619
Capital assets, net of accumulated depreciation(Note 6)	<u>38,043</u>
Total assets	<u>54,351</u>
Liabilities	
Interfund payable	10,201
Accounts payable	141
Salaries and benefits payable	35,764
Unearned revenue	<u>8,952</u>
Total Liabilities	<u>55,058</u>
Net Assets	
Investment in capital assets, net of related debt	38,043
Unrestricted	<u>(38,750)</u>
Total net assets	<u>\$ (707)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 386,593</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	193,921
Benefits	48,772
Services	8,247
Supplies	297,546
Other	746
Depreciation	4,701
TOTAL OPERATING EXPENSES	<u>553,933</u>
OPERATING LOSS	<u>(167,340)</u>
NON-OPERATING REVENUES:	
State sources	7,209
Federal sources	146,121
Interest on investments	436
TOTAL NON-OPERATING REVENUES	<u>153,766</u>
Net loss	(13,574)
Net assets beginning of year	<u>12,867</u>
Net assets end of year	<u><u>\$ (707)</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 373,413
Cash received from miscellaneous	11,875
Cash payments to employees for services	(207,868)
Cash payments to suppliers for goods or services	(275,822)
Net cash used in operating activities	<u>(98,402)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	201
State grants received	7,209
Federal grants received	114,911
Net cash provided by non-capital financing activities	<u>122,321</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(28,604)</u>
Cash flows from investing activities:	
Interest on investments	<u>436</u>
Net decrease in cash and cash equivalents	(4,249)
Cash and cash equivalents at beginning of year	<u>9,938</u>
Cash and cash equivalents at end of year	<u>\$ 5,689</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (167,340)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	31,614
Depreciation	4,701
Increase in inventories	(788)
Decrease in accounts payable	(109)
Increase in salaries and benefits payable	34,825
Decrease in unearned revenue	(1,305)
Net cash used in operating activities	<u>\$ (98,402)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 5,689</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2006, the District received Federal commodities valued at \$31,614.	

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 24,093	138,193
Liabilities		
Due to other groups	0	138,193
Net Assets		
Reserved for scholarships	\$ 24,093	0

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	<u>\$ 6,610</u>
Deductions:	<u>1,260</u>
Change in net assets	5,350
Net assets beginning of year	<u>18,743</u>
Net assets end of year	<u>\$ 24,093</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Center Point-Urbana Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Center Point and Urbana, Iowa, and the predominate agricultural territory in Linn and Benton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Center Point-Urbana Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Center Point-Urbana Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn and Benton Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2006 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The unearned revenues in the Day Care Fund are monies collected in advance for tuition. The revenue will be considered earned when services are provided. The tuition and lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the instructional, support services and other expenditures functional areas exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 3,413,059</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	School Nutrition	<u>\$ 10,201</u>

The interfund receivable/payable between the General and the School Nutrition fund is a loan from prior years. This loan should be repaid in fiscal year 2007.

(4) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 110,000
	Special Revenue:	
	Physical Plant and	
Debt Service	Equipment Levy	109,762
	Special Revenue:	
	Physical Plant and	
Capital Projects	Equipment Levy	169,905
		<u>\$ 389,667</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/26/06	1/26/07	\$ 368,281	7,463	367,000	7,013
2006-07A	6/28/06	6/28/07	948,679	295	950,000	234
Total			<u>\$ 1,316,960</u>	<u>7,758</u>	<u>1,317,000</u>	<u>7,247</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance

activity in the General Fund was noted for the year ended June 30, 2006.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 108,845	0	0	108,845
Total capital assets not being depreciated	108,845	0	0	108,845
Capital assets being depreciated:				
Buildings	13,366,175	0	0	13,366,175
Land improvements	787,823	61,014	0	848,837
Machinery and equipment	856,271	0	135,600	720,671
Total capital assets being depreciated	15,010,269	61,014	135,600	14,935,683
Less accumulated depreciation for:				
Buildings	7,262,277	46,533	0	7,308,810
Land improvements	460,256	47,137	0	507,393
Machinery and equipment	711,541	35,918	135,600	611,859
Total accumulated depreciation	8,434,074	129,588	135,600	8,428,062
Total capital assets being depreciated, net	6,576,195	(68,574)	0	6,507,621
Governmental activities capital assets, net	\$ 6,685,040	(68,574)	0	6,616,466
Business-type activities:				
Machinery and equipment	\$ 190,964	28,604	140,525	79,043
Less accumulated depreciation	176,824	4,701	140,525	41,000
Business-type activities capital assets, net	\$ 14,140	23,903	0	38,043

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$	9,442
Other		654

Support services:

Administration		11,720
Operation and maintenance		2,851
Transportation		11,251

Unallocated depreciation

35,918
93,670

Total governmental activities depreciation expense

\$ 129,588

Business-type activities:

Food services	\$	4,701
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(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 5,645,000	6,955,000	4,250,000	8,350,000	325,000
Capital Loan Notes	185,000	0	105,000	80,000	80,000
Compensated Absences	107,068	106,540	107,068	106,540	106,540
Total	\$ 5,937,068	7,061,540	4,462,068	8,536,540	511,540

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue June 1, 2006			Bond Issue March 1, 2006		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2007	4.00	% \$ 65,000	113,094	3.20-3.25	% \$ 260,000	163,458
2008	4.00	60,000	120,775	3.25-3.30	310,000	130,701
2009	4.00	60,000	118,375	3.30	315,000	120,510
2010	4.25	65,000	115,975	3.30-3.35	325,000	110,033
2011	4.25	65,000	113,212	3.35-3.40	340,000	99,018
2012-2016	4.15-4.30	125,000	541,588	3.40-3.70	1,885,000	308,190
2017-2021	4.15-4.30	425,000	496,500	3.70-3.80	620,000	24,985
2022-2026	4.25-4.30	2,035,000	298,175		-	-
		\$ 2,900,000	1,917,694		\$ 4,055,000	956,895

Bond Issue May 1, 2002				Total	
Interest		Principal	Interest	Principal	Interest
Rates					
-	% \$	-	69,500	\$ 325,000	346,052
-		-	69,500	370,000	320,976
-		-	69,500	375,000	308,385
-		-	69,500	390,000	295,508
-		-	69,500	405,000	281,730
-		-	347,500	2,010,000	1,197,278
4.90-5.00		1,045,000	287,850	2,090,000	809,335
5.00		350,000	17,500	2,385,000	315,675
		<u>\$ 1,395,000</u>	<u>1,000,350</u>	<u>\$ 8,350,000</u>	<u>3,874,939</u>

Capital Loan Notes

The District issued \$285,000 of capital loan notes during the year ended June 30, 2005. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year		Interest	Principal	Interest	Total
Ending	Rates				
June 30,					
2007	2.50 % \$	80,000	2,000	82,000	

(8) Bond Defeasement

On March 1, 2006, the District issued \$4,055,000 in general obligation bonds to advance refund \$3,990,000 outstanding general obligation bonds dated May 1, 1998. The new advance refunding bonds have been added to the appropriate financial statement and schedules. Defeasement of principal and interest for the year was \$3,990,000 and \$0. The present value savings of this bond refunding is \$200,154.

(9) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$300,998, \$313,867, and \$290,371 respectively, equal to the required contributions for each year.

(10) Risk Management

Center Point-Urbana Community School District is exposed to various risks of loss related to torts; theft; damage to and

destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$325,981 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Deficit Fund Balance

The District has deficit undesignated fund balances in the General Fund, Debt Service and School Nutrition fund of \$350,274, \$4,594 and \$38,750, respectively.

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the instructional, support services and other expenditures functional areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary		Budgeted Amounts		Final to
	Funds	Funds	Total			Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 4,583,322	387,029	4,970,351	4,769,458	4,769,458	200,893
State sources	5,249,603	7,209	5,256,812	5,228,466	5,228,466	28,346
Federal sources	236,046	146,121	382,167	313,000	313,000	69,167
Total revenues	10,068,971	540,359	10,609,330	10,310,924	10,310,924	298,406
Expenditures:						
Instruction	6,296,473	0	6,296,473	6,236,083	6,236,083	(60,390)
Support services	2,987,729	0	2,987,729	2,822,272	2,822,272	(165,457)
Non-instructional programs	0	553,933	553,933	564,318	564,318	10,385
Other expenditures	1,120,361	0	1,120,361	1,088,405	1,088,405	(31,956)
Total expenditures	10,404,563	553,933	10,958,496	10,711,078	10,711,078	(247,418)
Deficiency of revenues over expenditures	(335,592)	(13,574)	(349,166)	(400,154)	(400,154)	(50,988)
Other financing sources, net	2,973,527	0	2,973,527	1,000	1,000	(2,972,527)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	2,637,935	(13,574)	2,624,361	(399,154)	(399,154)	(3,023,515)
Balances beginning of year	147,437	12,867	160,304	832,937	832,937	(672,633)
Balances end of year	\$ 2,785,372	(707)	2,784,665	433,783	433,783	2,350,882

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the instructional, support services and other expenditures functional areas exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 4,690	69,116	26,453	100,259
Receivables:				
Property tax:				
Current year delinquent	1,961	0	3,147	5,108
Succeeding year	136,830	0	177,334	314,164
Total assets	\$ 143,481	69,116	206,934	419,531
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 0	6,246	21,224	27,470
Deferred revenue:				
Succeeding year property tax	136,830	0	177,334	314,164
Total liabilities	136,830	6,246	198,558	341,634
Unreserved fund balances	6,651	62,870	8,376	77,897
Total liabilities and fund balances	\$ 143,481	69,116	206,934	419,531

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 139,911	0	169,231	309,142
Other	6,779	204,487	38,536	249,802
Federal sources	0	0	1,486	1,486
TOTAL REVENUES	146,690	204,487	209,253	560,430
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	0	213,883	0	213,883
Support services:				
Administration services	57,945	0	0	57,945
Operation and maintenance of plant services	55,073	0	0	55,073
Student transportation	12,921	0	1,425	14,346
Other expenditures:				
Facilities acquisitions	0	0	131,826	131,826
TOTAL EXPENDITURES	125,939	213,883	133,251	473,073
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	20,751	(9,396)	76,002	87,357
OTHER FINANCING USES:				
Transfers out	0	0	(279,667)	(279,667)
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	20,751	(9,396)	(203,665)	(192,310)
FUND BALANCES BEGINNING OF YEAR	(14,100)	72,266	212,041	270,207
FUND BALANCES END OF YEAR	\$ 6,651	62,870	8,376	77,897

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Middle school yearbook	\$ 525	2,362	2,007	880
High school annual	8,693	10,548	4,505	14,736
Now account	33	9,134	9,127	40
Drama	3,791	2,210	1,882	4,119
HS musical	769	1,072	1,766	75
MS musical	389	963	1,352	0
HS computer lab	450	1,022	293	1,179
Storm troopers	1,258	1,902	1,154	2,006
Show choir	4,453	9,935	13,243	1,145
Cross country	0	635	635	0
Golf	125	25	150	0
Boys basketball	3,867	8,075	9,548	2,394
Football	3,127	19,263	18,076	4,314
Boys soccer	0	5,174	5,174	0
Boys baseball	3,541	6,229	9,770	0
Boys track	195	4,054	3,301	948
Boys wrestling	2,045	5,504	5,190	2,359
Girls basketball	4,742	7,440	8,700	3,482
Volleyball	2,398	3,816	4,584	1,630
Girls soccer	0	4,525	4,525	0
Softball	3,090	2,297	5,387	0
Girls track	285	5,418	4,894	809
Jump rope for heart	15	1,912	1,912	15
Elementary pop	1,122	2,381	2,505	998
FCCLA	100	870	642	328
HS pop	139	475	677	(63)
Senior science trip	56	10,214	10,198	72
Home economics	334	1,694	1,719	309
Model UN scholarship fund	1,596	0	0	1,596
National honor society	109	12	0	121
Student council	9,001	22,211	25,901	5,311
Spanish club	2,873	3,944	6,343	474
MS pop	24	3,758	3,516	266
Drill team	2,178	7,918	8,929	1,167
Middle school pep club	454	4,975	5,284	145
Cheerleaders	3,530	5,234	4,093	4,671
Senior class trip	30	3,895	2,291	1,634
Childrens theatre	1,669	709	286	2,092
Class of 2007	40	22,537	19,554	3,023
Class of 2008	0	35	0	35
Class of 2009	1,172	0	800	372
Class of 2010	4,048	110	3,970	188
Total	\$ 72,266	204,487	213,883	62,870

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 104,420	144,026	110,253	138,193
Liabilities				
Accounts Payable	\$ 0	23,014	0	23,014
Due to other groups	104,420	121,012	110,253	115,179
	<u>\$ 104,420</u>	<u>144,026</u>	<u>110,253</u>	<u>138,193</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 3,234,742	3,168,824	2,767,200	2,656,542
Tuition	799,047	648,293	518,066	476,898
Other	549,533	495,114	523,710	482,587
State sources	5,249,603	4,788,783	4,563,957	4,511,238
Federal sources	236,046	194,351	300,718	274,080
Total	<u>\$ 10,068,971</u>	<u>9,295,365</u>	<u>8,673,651</u>	<u>8,401,345</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 4,307,045	4,094,228	3,592,606	3,319,978
Special instruction	1,214,103	1,247,292	1,022,362	891,447
Other instruction	775,325	726,625	725,111	624,340
Support services:				
Student services	261,587	227,799	238,722	232,546
Instructional staff services	181,220	178,849	130,564	124,013
Administration services	1,286,724	1,038,110	819,307	818,815
Operation and maintenance of plant services	904,531	858,577	749,813	587,625
Transportation services	353,667	424,126	298,354	279,175
Other expenditures:				
Facilities acquisitions	156,450	94,194	1,500,511	1,689,157
Long-term debt:				
Principal	365,000	395,007	270,000	299,000
Interest	272,930	271,256	293,367	306,756
AEA flow-through	325,981	304,335	297,732	308,105
Total	<u>\$ 10,404,563</u>	<u>9,860,398</u>	<u>9,938,449</u>	<u>9,480,957</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Center Point-Urbana Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Center Point-Urbana Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 17, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Center Point-Urbana Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Center Point-Urbana Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Center Point-Urbana Community School District and other parties to whom Center Point-Urbana Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Center Point-Urbana Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

October 17, 2006

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

I-B-06 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We will investigate all checks outstanding over one year and re-issue, void or submit to Treasurer of Iowa, if necessary.

Conclusion - Response accepted.

I-C-06 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - The District will continue to work toward this goal.

Conclusion - Response accepted.

I-D-06 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events. The District currently receipts this into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - The District will receipt rent collected for facility usage into the General Fund.

Conclusion - Response accepted.

I-E-06 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We are in the process of reviewing and changing this process.

Conclusion - Response accepted.

I-F-06 Timely Deposits - We noted during our audit that deposits for the Student Activity fund were prepared but may not be taken to the bank for deposit until several days/weeks later.

Recommendation - All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - We are in the process of reviewing and changing this process.

Conclusion - Response accepted.

I-G-06 Capital Asset Policy - We noted during our audit that the District had not implemented a capital asset policy that states the capitalization thresholds to be used for the accounting of the capital assets.

Recommendation - The District should review the policies in place and update the necessary capital asset policies.

Response - We are in the process of reviewing and updating our policies.

Conclusion - Response accepted.

I-H-06 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - We are in the process of reviewing and changing this process.

Conclusion - Response accepted.

I-I-06 Purchase Orders - We noted that the District does not use pre-numbered purchase orders for all invoices.

Recommendation - The purchase order system allows for the District to monitor expenses which have already been obligated and therefore providing information as to what is yet available. By approving purchase orders after ordering is completed, the District is more likely to exceed budgeted amounts. The District should review procedures in place and make necessary changes to ensure pre-numbered purchase orders are completed prior to purchasing.

Response - The District is working towards this goal.

Conclusion - Response accepted.

- I-J-06 Receipts and Deposits Slips - We noted during our audit that the District does not use three-part deposit slips and receipt books. We also noted that the receipts currently used are not pre-numbered.

Recommendation - The District should review their procedures to ensure that all levels are using a three-part deposit slip and receipt book. Utilizing a three-part deposit slip and receipt book will provide support and documentation for the depositing and receipting functions. The Board Secretary should account for the numerical sequence of the receipt journal.

Response - The District is working towards this goal and has implemented a computer generated receipting system for students.

Conclusion - Response accepted.

- I-K-06 Computer Generated Signatures - We noted that the District's checks are automatically signed by computer software when the checks are printed. The same person who inputs all of the invoices is also printing the checks. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation - The Board may designate a person other than the Board President to cosign checks. If the computer program is used to generate signatures, controls should be implemented to limit access to the computer program by a single person.

Response - The District has limited access to the computer system to a single person.

Conclusion - Response accepted.

- I-L-06 Receipts - We noted that the District is not always issuing receipts to sponsors when funds are turned into the office.

Recommendation - The District's internal control could be improved by issuing receipts to sponsors when funds are turned in and counted. Any discrepancies can be resolved at that particular time.

Response - We are in the process of implementing a verification from for sponsors to complete before turning money into the activities office.

Conclusion - Response accepted.

- I-M-06 Clothing Purchased for Coaches - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - We will discontinue this practice.

Conclusion - Response accepted.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Official Depositories - The District's depository resolution does not state a maximum limit for each bank.

Recommendation - Each year the Board should adopt a resolution naming the banks in which the District may deposit monies and maximum balance allowed at each bank.

Response - We will adopt a depository resolution stating the maximum amounts.

Conclusion - Response accepted.

- II-B-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the instruction, support services and other expenditures functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will monitor this closer to keep this from occurring in the future.

Conclusion - Response accepted.

- II-C-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-D-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-E-06 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Beth Seltrecht, Lunch Clerk Spouse owns Seltrecht Excavating	Purchased services	\$4,706
William Wright, Bus Driver Partial owner of Wrightway Sales & Associates	Purchased services	\$447

In accordance with Attorney General's Opinion dated November 9, 1976, the above transaction with the employees spouse doesn't appear to present a conflict of interest.

In accordance with Attorney General's Opinion dated July 2, 1990, the above transaction with the bus driver doesn't appear to present a conflict of interest.

- II-F-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We are working towards this goal.

Conclusion - Response accepted.

II-H-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-06 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the proper interest rate, set by the State Rate Setting Committee, on their Certificate of Deposit.

Recommendation - The District should contact the appropriate bank and rectify the situation.

Response - The bank was contacted and proper interest rate was given.

Conclusion - Response accepted.

II-J-06 Certified Annual Report - The Certified Annual Report was not properly certified to the Iowa Department of Education by October 15, 2006.

Recommendation - In the future, the District should ensure the Certified Annual Report is timely certified to the Iowa Department of Education.

Response - The District certified the CAR as required, however; due to auditor adjustments the District had to recertify the CAR after the deadline.

Conclusion - Response accepted.

II-K-06 Financial Condition - During our audit we noted that the District had deficit unreserved fund balances of \$350,274 in the General Fund, \$4,594 in the Debt Service Fund and \$38,750 in the School Nutrition Fund. We also noted negative account balance within the Student Activity Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will continue to monitor our finances and take steps to eliminate the deficit.

Conclusion - Response accepted.